



City of Ketchum

**CITY COUNCIL MEETING AGENDA MEMO**

Meeting Date: June 25, 2026 Staff Member/Dept: Jade Riley – City Administrator  
Brent Davis – Director of Finance/Treasurer

Agenda Item: Reauthorization vote (November 2026) for *Original* Local Option Tax.

Recommended Motion:

No motion is required. Mayor & Council feedback requested.

Reasons for Recommendation:

- In February, the Council supported a November 2026 election where voters will be asked to re-authorize the **Original** Local Option Tax. In addition to re-authorization of the LOT, the Council supported exploring with the public an increasing the tax on “Lodging” and included “services” that are currently taxed by the State of Idaho to address current and long-term funding gap for the Capital Improvement Plan. During the May 28<sup>th</sup> meeting, staff reviewed findings from public feedback. The Council also discussed other “increase” options as opposed to only an increase in “lodging” tax.
- On June 8,9,10<sup>th</sup> from 11-1 at Town Square, Post Office and Forest Service Park (Farmer’s Market) staff completed additional public feedback on all options.
- During the June 11<sup>th</sup> meeting, a majority of the City Council supported a revised proposal (attachment #1) consisting of the following:
  - 2% increase in short-term lodging (less than 30 days: hotel/short-term rentals)
  - .5% increase to building materials
  - .5% to retail
- Staff proposes the following topics for Council feedback during the June 25<sup>th</sup> meeting:
  - Affirm Council support for revised option outlined above
  - Review draft ballot language (attachment #2)
  - Affirm next steps and associated timeline

Sustainability Impact:

The General Fund Budget maintains the sustainability partnership with the County. This item, along with other partner contracts, will be addressed in a forthcoming session.

Financial Impact:

No immediate fiscal impact; however, the discussion sets the stage to address funding deficiencies for the Capital Improvement Plan.

Attachments:

1. Slide Deck (PDF)
2. DRAFT ballot language



# Reauthorization of Original Local Option Tax



# Total Taxation – “As Is”

Category	Original LOT	Additional 1% (Housing/Air)	State Sales	State Lodging	TOTAL
Retail	1%	1%	6%		8%
Liquor	2%	1%	6%		9%
Building Materials	1%	1%	6%		8%
Lodging	2%	1%	6%	2%	11%



# Current LOT Collections

Category	Original LOT		Additional 1% (Housing/Air)	
	Original LOT Current %	Collections	Additional LOT %	Collections
Retail	1%	\$2,240,000	1%	\$2,240,000
Liquor	2%	\$374,000	1%	\$187,000
Building Materials	1%	\$508,000	1%	\$508,000
Lodging	2%	\$820,000	1%	\$410,000
<b>TOTAL</b>		<b>\$3,942,000</b>		<b>\$3,345,000</b>

**TOTAL = \$7,287,000**



# Original Local Option Tax

## QUICK HISTORY

The original Local Option Tax (LOT) became effective on December 15, 1978. Since the original adoption of the LOT, voters have approved or modified the tax in 1979, 1983, 1984, 1988, 1997, and 2011. In 2011, voters approved a new fifteen-year term, with an expiration date of **December 31, 2027**.

## THEREFORE

We have two opportunities to present a renewal to the voters:

- November 3, 2026
- May 18, 2027



# Original Local Option Tax

## OPEN HOUSE FEEDBACK

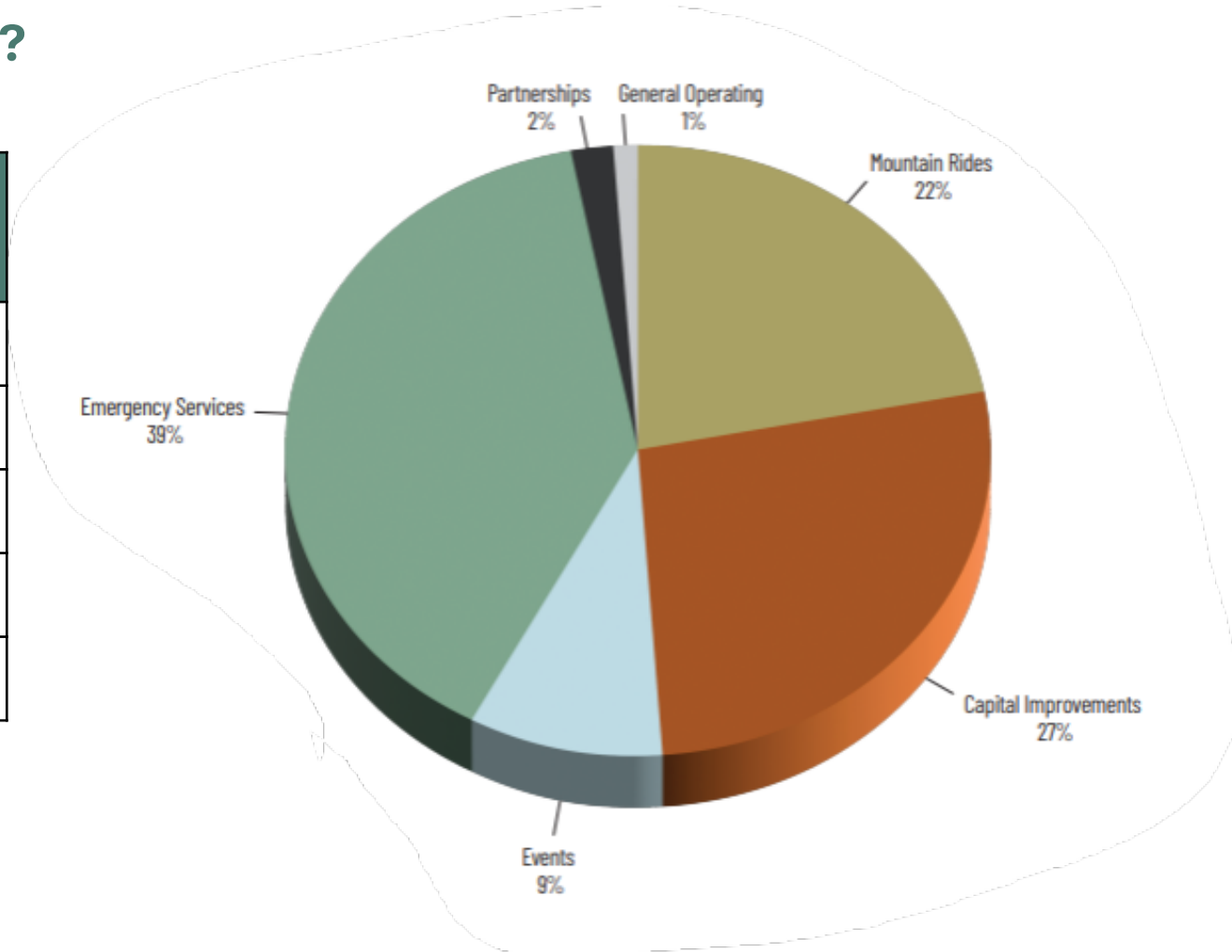
- Overall strong support for Local Option Taxes
  - Concern with the proposed increase to Lodging
    - Price tag concerns
    - Maintaining a competitive market (particularly Sun Valley)
    - Bad timing
  - Many were not against a change to Retail and/or Building Materials
    - Even in fractions (0.25 or 0.50%)
  - Some reluctance to change liquor by the drink
  - “Services” new category had mixed emotions
- 
- Overwhelming gratitude for the City’s efforts to share and collect feedback from the community



# Why Renew?

## WHAT DOES THE ORIGINAL LOT PROVIDE?

Expense Type	FY 2027 Proposed
Public Safety (Police)	\$1.5M
CIP Funding	\$1.0M
Mountain Rides	\$878k
Events (~65% Wagon Days)	\$345k
Partnerships	\$61k





**Who Pays LOT?**



# Zartico Introduction



# Overall Spend – All Categories – 3-Year Avg

45.7%

avg share of spend

Out of State

20.6%

avg share of spend

Idaho (non-Blaine)

16%

avg share of spend

Blaine County  
(non Ketchum)

17.7%

avg share of spend

Ketchum City

**Key Insight:** Out-of-state visitors generate the single largest share of consumer spend in Ketchum across all categories; averaging approximately **45.7%** of total transactions. Local Ketchum residents represent **17.7%**, confirming that tourism drives the economic engine of the city's commerce.

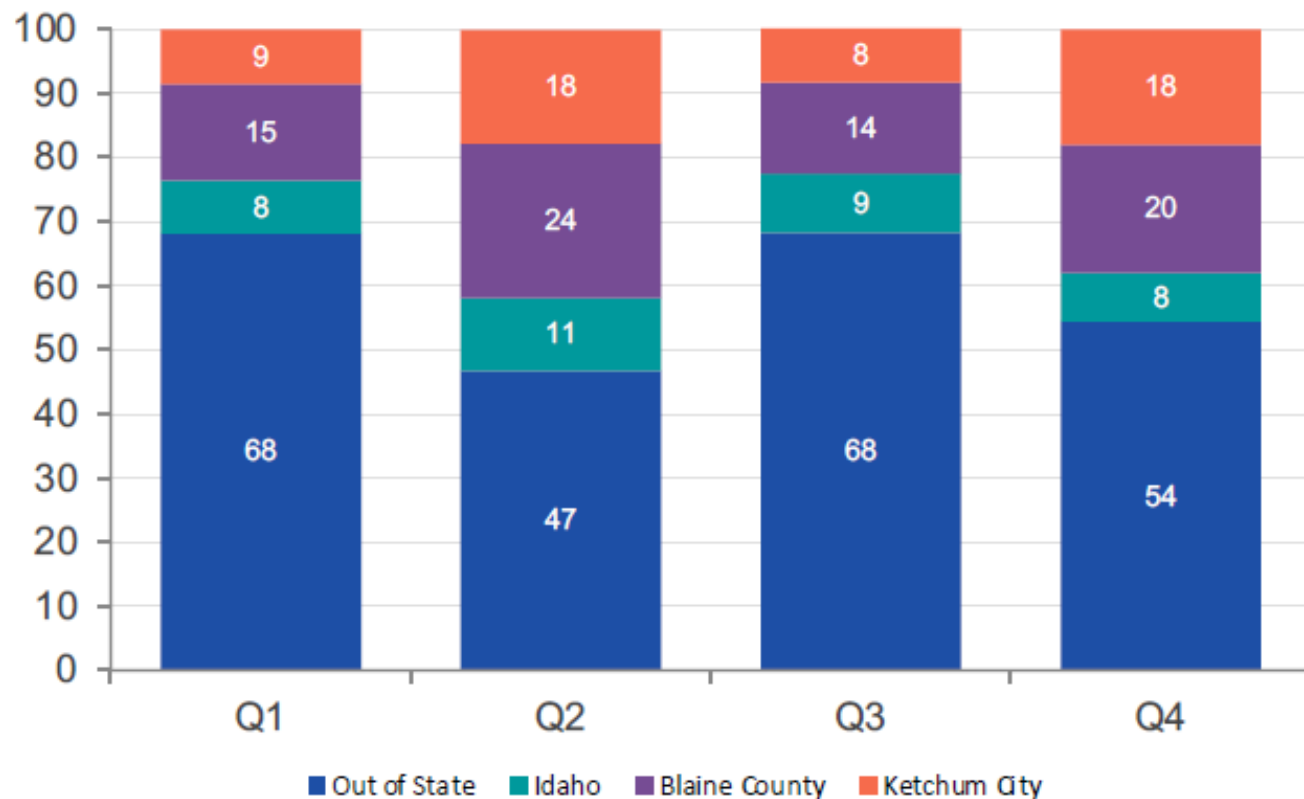
Source: Zartico Credit Card Spend Data, 2023–2025, Ketchum ID





# Retail Category

By Quarter (3-Year Avg)



By Year



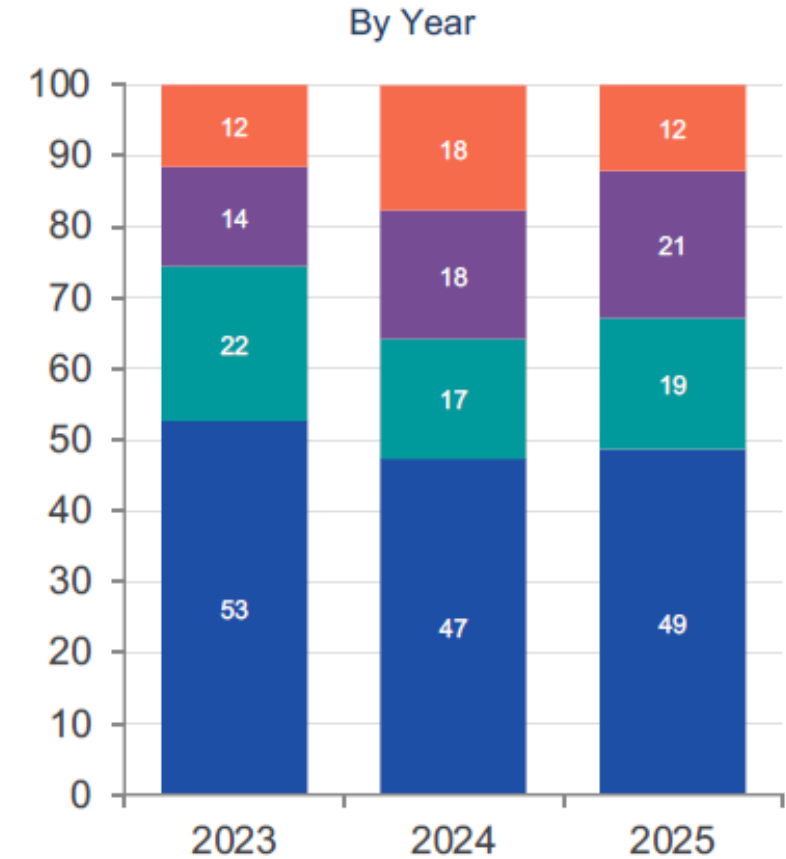
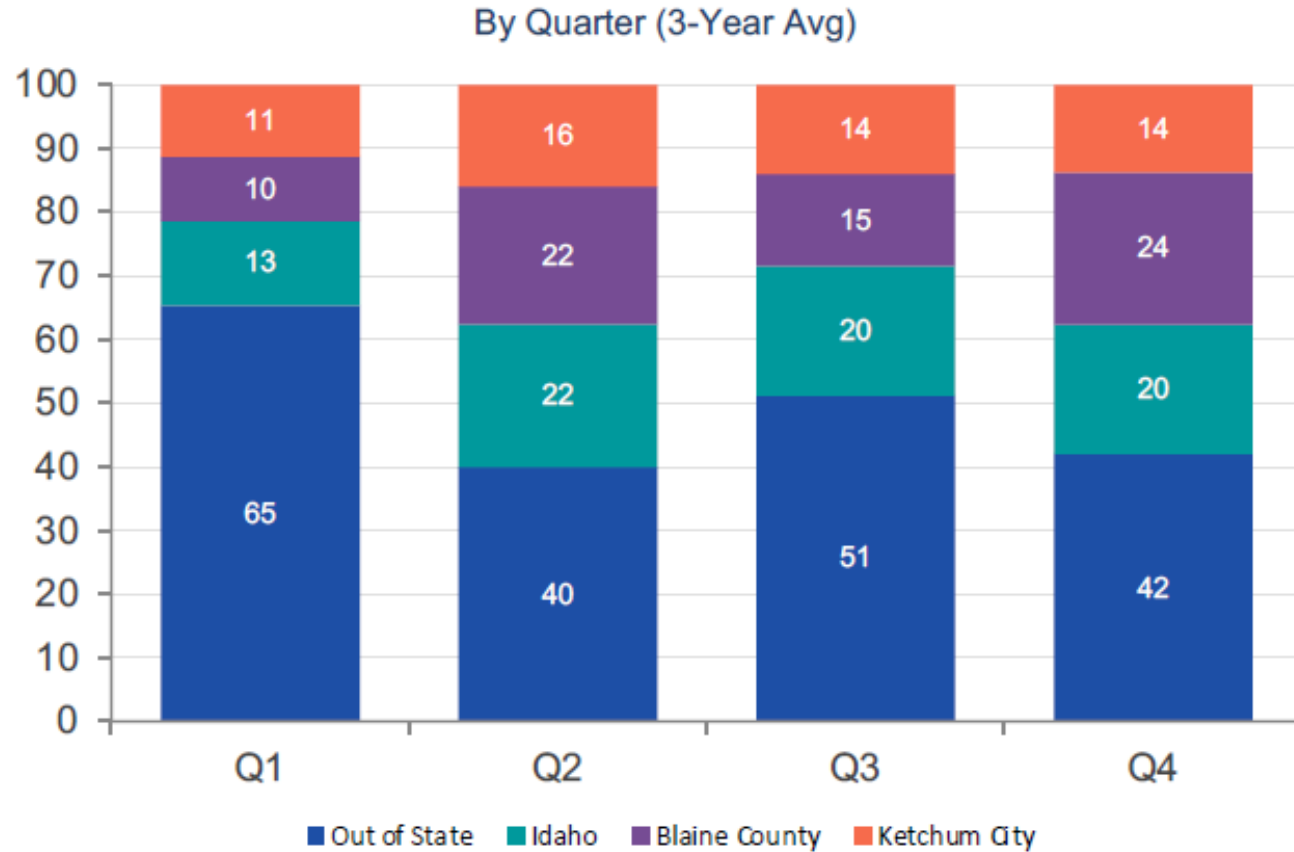
Q3 peaks at 68-69% out-of-state retail share.

Source: Zartico Credit Card Spend Data, 2023–2025, General Retail MCCs.





# Liquor by the Drink



Q1 drives highest out-of-state bar spend (avg 65%). Q2-Q4 show more balanced distribution.

Source: Zartico Credit Card Spend Data, 2023–2025, MCC 5813 (On-Premise Alcohol).





# Why the Proposed Increase?

## WHY ASK VOTERS FOR AN INCREASE?

- Capital Funding Deficit - streets
- KURA sunset in FY 2030

## ALTERNATIVE FUNDING OPTIONS

- Property Tax increase
  - Requires a vote
  - Full burden on local taxpayer
- GO Bond
  - Requires a vote
  - Full burden on local taxpayer



# Percentage Option(s)

**(#1) April proposal**

Category	Current %	Proposed % Increase	Financial Impact
Retail	1%	-	-
Liquor	2%	-	-
Building Materials	1%	-	-
Lodging	2%	5%	\$2.0M
“Services” (new category)	Idea proposed, no amount mentioned		TBD
<b>TOTAL</b>			<b>&gt;\$2.0M</b>

**(#2) Other options**

Proposed % Increase	Financial Impact
.5%	~\$1.1M
-	-
.5%	~\$254k
2%	~809k
	TBD
	<b>&gt;~\$2.2M</b>



# Other Options/ Pop-Up Feedback



# What We Heard? (Pop-Ups)

- 65% support an increase to Retail
- 100% support an increase to Lodging
- 39% support an increase to Liquor
- 70% support an increase to Building Materials
- Most popular exact combination:
  - 0.5% Retail Increase
  - 2.0% Lodging Increase
  - 0.5% Building Materials
- Decent interest in increasing 3 of the 4 categories with Liquor being a love it or hate it situation, no one in the middle.
- 93% of Retail responses were the 0.5% increase
- 78% of lodging feedback was either a 1% or 2% increase, the other 22% were in the 4% category



# Ballot Language Questions

Additional language to be added to either option: ‘tying’ the increase/earnings to CIP spending

Option #1	Option #2
1. Reauthorize the Original LOT as-is for 15 years and to <u>increase</u> the following categories by X%	1. Reauthorize the Original LOT as-is for 15 years  - and –  2. Increase the following categories by X%
Via ONE QUESTION	Via TWO QUESTIONS



# Discussion & Next Steps

- June 8-10 LOT 'Pop-Ups'
- Tonight
  - Is there consensus on a small Retail change?
  - Is there consensus on the proposed change to Lodging?
  - Equal increase to Building materials, parity with Retail?
- TBD Town Hall
- June 25 Report feedback; finalize language
- July 8 'Open House' & online survey for feedback
- July 23 1<sup>st</sup> reading of ballot language
- **ADD: (July 30) or Aug 6 Special meeting / 2<sup>nd</sup> reading of ballot language**
- August 13 3<sup>rd</sup> reading of ballot language
- August 28 Ballot language due to the County

DRAFT Ballot Language for discussion purposes only

Shall the City of Ketchum, Idaho adopt Ordinance No. XXXX providing for renewal of the collection of a Local Option Tax for a period of fifteen years from its effective date with an increase of two (2) percent on all “short-term lodging” (30 days or less); one-half percent (.5) increase in “building materials”; and one-half percent (.5) increase in “retail goods” (not groceries)? The proposed increases outlined above will be solely dedicated to maintenance/repair of streets and sidewalks.

IN FAVOR OF:

AGAINST: